

State of Washington Decision Package

Agency: 310 Department of Corrections
Decision Package Code/Title: 8U Utility Rate Adjustments

Budget Period: 2007-2009

Budget Level: M2 –Inflation and Other Rate Changes

Recommendation Summary Text:

This item includes utility rate increases for water, sewer, electricity, natural gas, gasoline, and heating oil.

Agency Total

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$3,007,000	\$3,351,000	\$6,358,000
Staffing			Annual
FTEs	N/A	N/A	Average
			N/A

Program 100-Administration and Program Support

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$7,000	\$10,000	\$17,000
Staffing			Annual
FTEs	N/A	N/A	Average
			N/A

Program 200-Institutional Services

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$2,783,000	\$3,039,000	\$5,822,000
Staffing			Annual
FTEs	N/A	N/A	Average
			N/A

Program 300-Community Supervision

<u>Fiscal Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
Operating Expenditures			
001-1 - General Fund - Basic Account-State	\$217,000	\$302,000	\$519,000
Staffing			Annual
FTEs	N/A	N/A	Average
			N/A

Package Description

The Department is anticipating increases in gasoline, heating oil, natural gas, electricity, water, and sewer. These are increase to the Department from the local provider and are not a result of increased usage.

The Department did not receive funding for Fiscal Year 2006 Supplemental Operating Budget for Fiscal Year 2007 resulting in an understatement of base utility funding for the 2007-2009 Biennium.

The Fiscal Year 2007 request, excluding vehicle fuel which will be addressed later in this section, included increases as follows:

Electricity

- Puget Sound Energy (PSE) increase of 4.4 percent effective in November 2005. Impacted facilities include Cedar Creek Corrections Center (CCCC) as well as work releases and field office in the Southwest Region.
- Avista increase of 10 percent effective in November 2005. Impacted facilities include Airway Heights Corrections Center (AHCC) and Pine Lodge Corrections Center for Women (PLCCW), as well as the work releases and field offices in the Northeast Region.
- Pacific Power and Light increase of 17 percent effective in April 2006. Impacted facilities include Ahtanum View Corrections Center (AVCC) and the Ahtanum View Work Release.
- Cowlitz County increase of 2.26 percent effective July 1, 2005. Larch Corrections Center (LCC) is the only facility impacted.

Natural Gas

- Puget Sound Energy (PSE) increase of 14.7 percent effective in October 2005. Impacted facilities include McNeil Island Corrections Center (MICC), Washington Corrections Center for Women (WCCW), and Monroe Correctional Complex (MCC), as well as work releases and field offices in the Southwest and West Central Regions.
- Avista increase of 35 percent effective in November 2005. Impacted facilities include AHCC, PLCCW, and Coyote Ridge Corrections Center (CRCC), as well as work releases and field offices in Northeast and Southeast Regions.
- Cascade Natural Gas increase of 15 percent effective November 2005. Impacted facilities include Washington Corrections Center (WCC) and AVCC as well as work releases in the Southeast Region.

Water

- Clallam County increase of 39 percent effective July 2005 impacting Clallam Bay Corrections Center (CBCC)
- The city of Connell increase of 3 percent effective January 2006 impacting CRCC.

Sewer

- Clallam County increase of 13.5 percent effective July 2005 impacting CBCC.
- The city of Connell increase of 3 percent effective July 2005 impacting CRCC.

Heating Oil

- 30.1 increase in heating oil due to supplier cost increases impacting LCC and CBCC.

In addition to the items listed above, the Department has been notified of additional increases.

The per ton garbage rate has increased by 15 percent at LCC. This increase occurred during Fiscal Year 2006 and is a result of increase fuel prices. The overall increase to the Department's garbage funding is less than 0.5 percent.

PSE has been approved for a 5.9 percent increase to offset higher power-supply costs PSE is incurring to service customers. This increase will impact CCCC as well as work releases and field offices in the Southwest Region. Clallam County PUD has informed the Department that electricity rates will increase for CBCC by 6.5 percent beginning in Fiscal Year 2007. This increase, as well as the Fiscal Year 2007 increase, results in an overall increase to the Department's electricity funding by 2.5 percent.

Washington State Penitentiary (WSP) has experienced a 60 percent increase in natural gas from Fiscal Year 2005 to Fiscal Year 2006. In Fiscal Year 2005 the average cost per therm was \$0.60. In Fiscal Year 2006 the average cost per therm increased to \$0.962. The increase, as well as the Fiscal Year 2007 increase, results in an overall increase to the Department's natural gas funding by 29 percent.

The city of Walla Walla and the city of Aberdeen will increase sewer rates by 3 percent in Fiscal Year 2007. This increase will impact WSP and Stafford Creek Corrections Center (SCCC). The city of Monroe will also increase sewer rates by 8 percent, effecting MCC. These increases, as well as the Fiscal Year 2007 increase, results in an overall increase to the Department's sewer funding by 3.2 percent.

In addition to increasing sewer rates, the city of Walla Walla and the city of Aberdeen will increase water rates by 3 percent in Fiscal Year 2007. This increase will impact WSP and SCCC. Clallam County PUD has informed the Department to expect a 5% increase per year, starting in Fiscal Year 2007 for water rates at CBCC. These increase, as well as the Fiscal Year 2007 increase, results in an overall increase to the Department's water funding by over 7 percent.

As part of the North Close Expansion project at WSP, the Department has entered into an agreement with Cascade Natural Gas. The agreement is centered around the removal of the existing meter set assembly and installation of a new service line and an upgraded meter set assembly. The total cost of the agreement is \$148,525, to be paid off over a three year period. The annual cost to the Department is \$62,000.

The Department requested and received \$9,000 annually to investigate and test the contamination of groundwater from the WSP landfill into the city of Walla Walla's upgradient well. The annual amount to test the water has been revised to \$60,000 annually. Also required are one-time funds to place test wells on the east boundary of WSP to determine if contamination is a flowing from WSP. One-time costs are to produce the three wells for a cost of \$20,000.

The increase in gas prices has had a direct effect on the Department. The Department uses vehicles for many different reasons: inter- and intra-state transportation to and from facilities; supervision of offenders; perimeter patrols; medical transports; training; warehousing; and maintenance projects. For the most part, costs associated with these functions are mandatory. The Department has attempted to combat the increasing price of gasoline by purchasing hybrid vehicles to reduce consumption for perimeter patrols and travel. The Department has also used contracted vendors for supplying the Department sites which maintain bulk fuel. The Department is currently funded at a per gallon amount of \$2.136. Funding was not received for Fiscal Year 2007 in the Fiscal Year 2006 Supplemental Operating Budget. The Department is requesting a 47.06 percent increase to bring funding up to the July 3, 2006 average per gallon rate of \$3.139, as determined by the Energy Information Administration (EIA) website, from the current funded rate of \$2.136 as of July 5, 2004.

The Department has also estimated the anticipated increase for Fiscal Year 2008 and Fiscal Year 2009 based on historical, week-to-week increase. The Department estimates that it will require a 17.6 percent increase from the \$3.1393 per gallon in Fiscal Year 2008 and a 41.43 percent increase in Fiscal Year 2009 to address the anticipated rise in fuel costs.

Narrative Justification and Impact Statement

How contributes to strategic plan:

This request is critical to agency activities, the strategic plan, and statewide results. The request ensures that the Department has the necessary resources to maintain current levels of service and performance.

This request is required to sustain the agency activities *Confine Convicted Adults in State Prisons, Supervise Adult Offenders in the Community, Core Administration, and Reentry Services for Adult Offenders*. The resources identified will be directed to support the agency objective to protect staff. The strategy is to maintain facilities, offices, and equipment. These objectives and strategies move the Department closer to meeting its high-level organizational goals of maintaining safe work environments for staff. These high-level goals are intermediate outcomes and assist the Department in achieve statewide results that will reduce re-offense behavior and improve the safety of people and property.

Reason for change:

The cost of purchasing utilities has increased due to changes in the wholesale cost of heating oil, crude oil and local government factors.

Performance Measure Detail

No measures submitted for package.

Impact on clients and services:

N/A

Impact on other state programs:

N/A

Relationship to capital budget:

N/A

Required changes to existing RCW, WAC, contract, or plan:

N/A

Alternatives explored by agency:

The Department has attempted to reduce its consumption of utilities. It has also attempted to reduce fuel consumption through the purchase and usage of hybrid vehicles.

Budget impacts in future biennia:

Sufficient funding will be required in future biennia in order to keep up with increased utility costs.

Distinction between one-time and ongoing costs:

All costs are ongoing with the exception of the placement of test wells at WSP, \$20,000 in Fiscal Year 2008.

Effects of non-funding:

The Department does not feel that it can absorb these costs as they are significant increase to where the Department would be required to alter offender programming or implement hiring delays and equipment delays.

Expenditure Calculations and Assumptions:

Object E expenditures are based upon current biennium costs and anticipated rate changes resulting from notifications from public and private utility providers and the state Utilities and Transportation Commission.

Expenditures related to the Cascade Natural Gas agreement with WSP are determined by a total cost of \$148,525 with monthly payments to take place over a three year period. The monthly payment will be \$5,150 with \$4,126 going towards the balance.

Expenditures related to the water testing with the city of Walla Walla were determined by a consultant to be \$60,000 per year. The cost to drill three test wells is based on three wells at 100 feet at \$20 per foot plus materials.

Gasoline assumptions bring the current funded level up to the ending gasoline prices at the beginning of Fiscal Year 2007, a 47.06 percent increase, and assume that prices will increase and decrease based on the average week-to-week increase of the previous three years. The Department's current funded level is \$2.13 per gallon. The 47.06 percent increase will bring the Department's funding up to \$3.1393 per gallon as determined by the EIA website. The Department also assumes a 17.6 percent increase in per gallon costs for Fiscal Year 2008 and an increase of 41.43 percent in Fiscal Year 2009. The calculation is based on the three previous year increases on a week-to-week basis and actual costs through August 28, 2006. The last actual per gallon rate is as of August 28, 2006 at \$3.131 per gallon.

<u>Object Detail</u>	<u>FY 2008</u>	<u>FY 2009</u>	<u>Total</u>
E Goods and Services	\$3,007,000	\$3,351,000	\$6,358,000
Total Objects	\$3,007,000	\$3,351,000	\$6,358,000